

Message Text

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51

ACTION NEA-10

INFO OCT-01 ISO-00 EB-07 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-03 USIA-06

SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 FRB-03 PA-01

PRS-01 /094 W

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R 121235Z JUN 75

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 9196

INFO AMCONSUL BOMBAY

LIMITED OFFICIAL USE NEW DELHI 7743

E.O. 11652: N/A

TAGS: ENRG, IN

SUBJ: PETROLEUM: BURMAH SHELL, CALTEX YIELD TO PROCESS

GOI CRUDE

1. THE TWO MAJOR FOREIGN OIL COMPANIES IN INDIA, BURMAH SHELL AND CALTEX, HAVE RELUCTANTLY YIELDED TO GOI PRESSURE TO REDUCE TEMPORARILY OIL IMPORTS FROM THEIR TRADITIONAL FOREIGN AFFILIATES IN ORDER TO PROCESS CRUDE IMPORTED BY THE GOVERNMENT ON CREDIT FROM IRAN AND THE UNITED ARAB EMIRATES.

2. THE BURMAH SHELL REFINERY AT BOMBAY HAS A REFINING CAPACITY OF 3.75 MILLION METRIC TONS AND THE CALTEX REFINERY AT VISAKHAPATNAM A CAPACITY OF 1.25 MILLION METRIC TONS. UNDER THE NEW ARRANGEMENT THE TWO OIL COMPANIES TOGETHER WILL BE PERMITTED TO IMPORT BETWEEN 70,000 TO 75,000 METRIC TONS MONTHLY FROM THEIR TRADITIONAL SUPPLIERS AND WILL MAINTAIN CAPACITY BY RUNNING CRUDE FROM THE GOI STOCKS OF NEARLY TWO MILLION TONS IMPORTED FROM IRAN AND ONE MILLION TONS FROM THE UNITED ARAB EMIRATES. THE GOI IS UNDER PRESSURE FROM THE PRODUCING

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COUNTRIES TO OFFLOAD THE STOCKS OF CONCESSIONALLY-FINANCED

PETROLEUM EXPEDITIOUSLY.

3. IN A LETTER TO THE MINISTRY OF PETROLEUM AND CHEMICALS ON JUNE 9, CALTEX WROTE THAT "SINCE IT WAS CONFIRMED THAT IT WAS IN THE NATIONAL INTEREST TO PROCESS GOI CRUDE AT CORIL, AND AS NO OTHER ALTERNATIVE WAS AVAILABLE, WE ARE OBLIGED, FOR A PERIOD OF THREE MONTHS (JUNE 1975 - AUGUST 1975) TO PROCESS AT THE RATE OF 1.25 MTPA, ONE CARGO OF 25,000 METRIC TONS MONTHLY BEING CRUDE FROM CALTEX SOURCES AND THE BALANCE BEING CRUDE FROM GOI SOURCES." THE LETTER ADDED: "CALTEX WOULD PURCHASE ...GOI CRUDE... AT 93 PERCENT POSTED PRICE" AND WOULD RETAIN ALL THE PRODUCTS FOR SALE BY CALTEX. WITHOUT THIS CONDITION, CALTEX COULD NOT OPERATE ITS MARKETING OPERATIONS.

4. THIS MEANS A CONTINUED LOSS IN ITS REFINERY OPERATION OWING TO THE CONTROLLED EX-REFINERY PRICE WHICH IT ONLY PARTIALLY RECOVERS FROM ITS MARKETING OPERATIONS. CALTEX IS NEGOTIATING FOR A REFINERY PRICE INCREASE SO IT WILL NOT OPERATE AT A LOSS IN INDIA FROM NOW UNTIL IT IS NATIONALIZED (NEW DELHI 7188).

5. ACCORDING TO SOME PRESS REPORTS, THE GOI WILL PROBABLY PRESS FOR THE CONTINUATION OF THE PRESENT ARRANGEMENT WITH BURMAH SHELL AND CALTEX AT LEAST FOR A ONE YEAR PERIOD.
SCHNEIDER

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